



USDA Outlook Forum 2002

Grain Markets: a South American Perspective

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Brazilian Grain Crops

2001/02 - millions tons and acres

	Production	Var %	Acreage	Var %
Soybean	43.3	15.0	15.8	13.1
Corn	38.7	-7.0	12.4	-3.8
Wheat	3.2	96.0	1.7	13.0

2002/03 - millions tons and acres

	Production	Var %	Acreage	Var %
Soybean	45.8	6.0	16.1	2.5
Corn	42.0	11.0	12.9	4.2
Wheat	3.6	12.5	1.8	1.5

Source: IBGE

Argentinean Grain Crops

2001/02 - millions tons and acres

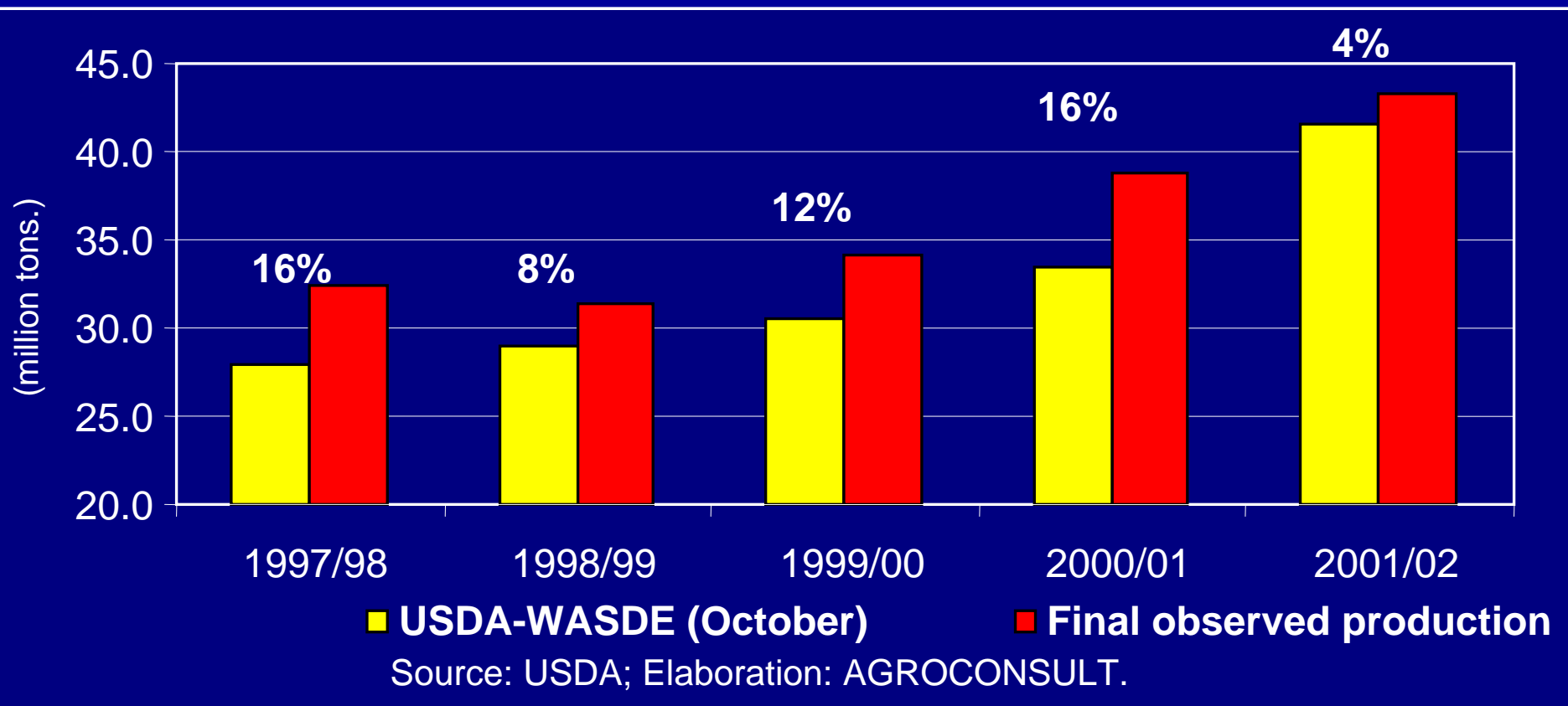
	Production	Var %	Acreage	Var %
Soybean	28.5	5.0	11.3	6.5
Corn	12.0	-21.8	2.6	-22.0
Wheat	15.7	2.0	7.1	9.4

2002/03 - millions tons and acres

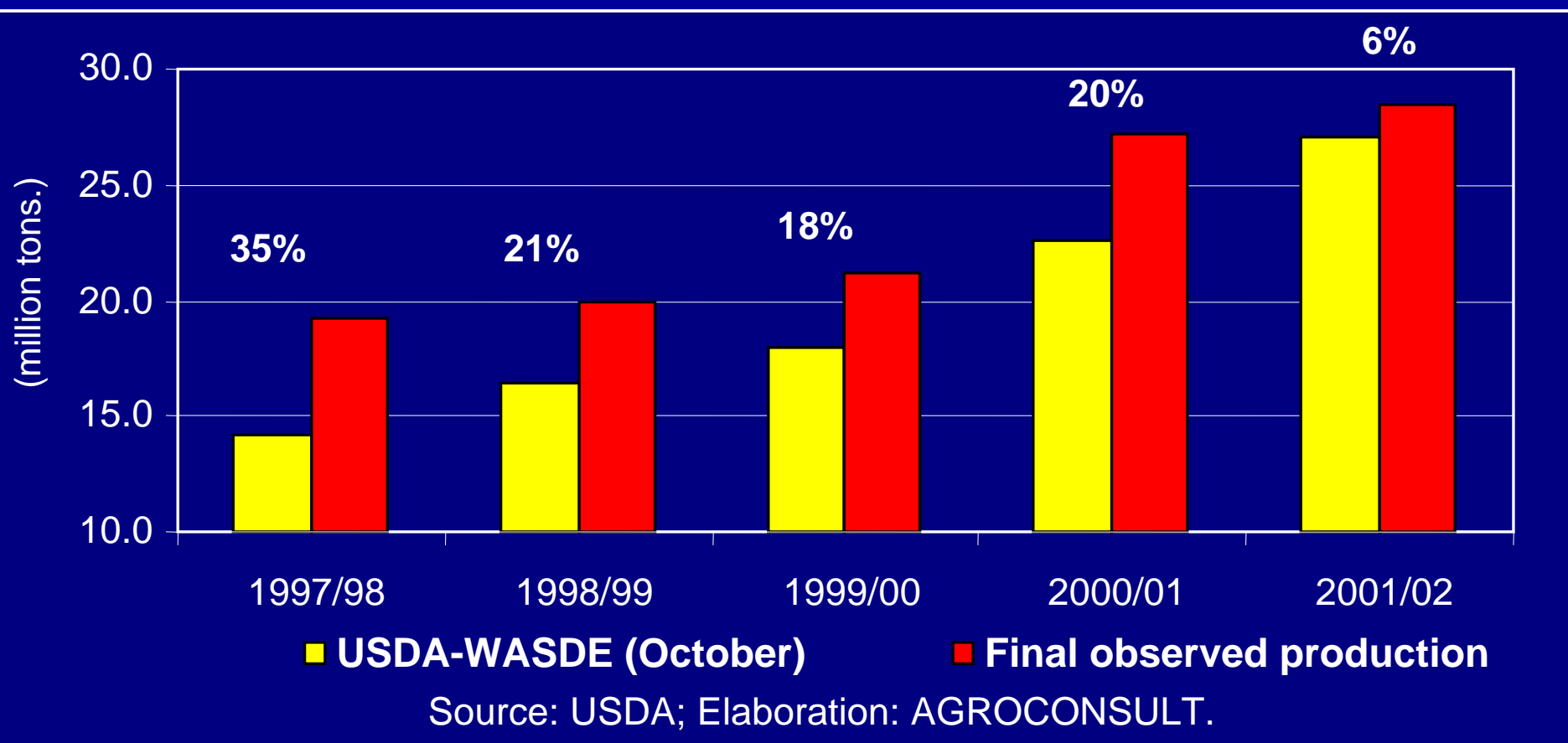
	Production	Var %	Acreage	Var %
Soybean	30.0	5.2	11.9	5.0
Corn	11.0	-8.0	2.5	-5.0
Wheat	16.5	5.1	7.5	5.0

Source: SAGPyA.

USDA Estimates of Brazilian Soybean Production



USDA Forecast for Argentinean Soybean Production

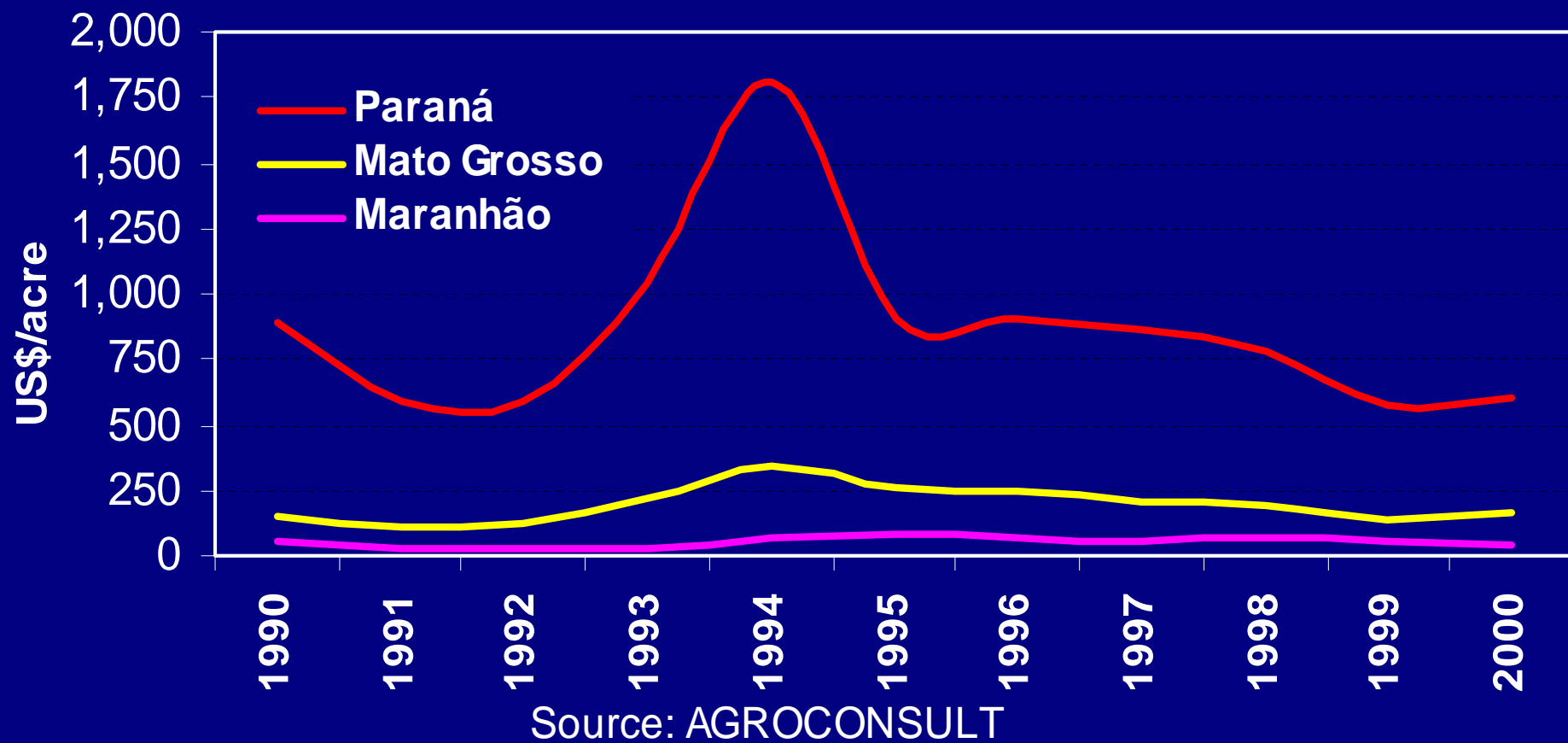




Recent Evolution of Brazilian Agriculture

- Economic Stability
 - Decrease in the real value of land
 - Restructuring of the Credit System (increasing volume)
 - Increase in domestic aggregate demand
 - Renewed capacity for strategic planning
- Improvement in Transport Logistics
 - New Port Legislation
 - Privatization of Railways, ports and roads
 - Greater Usage of Waterways

Brazilian Land Prices

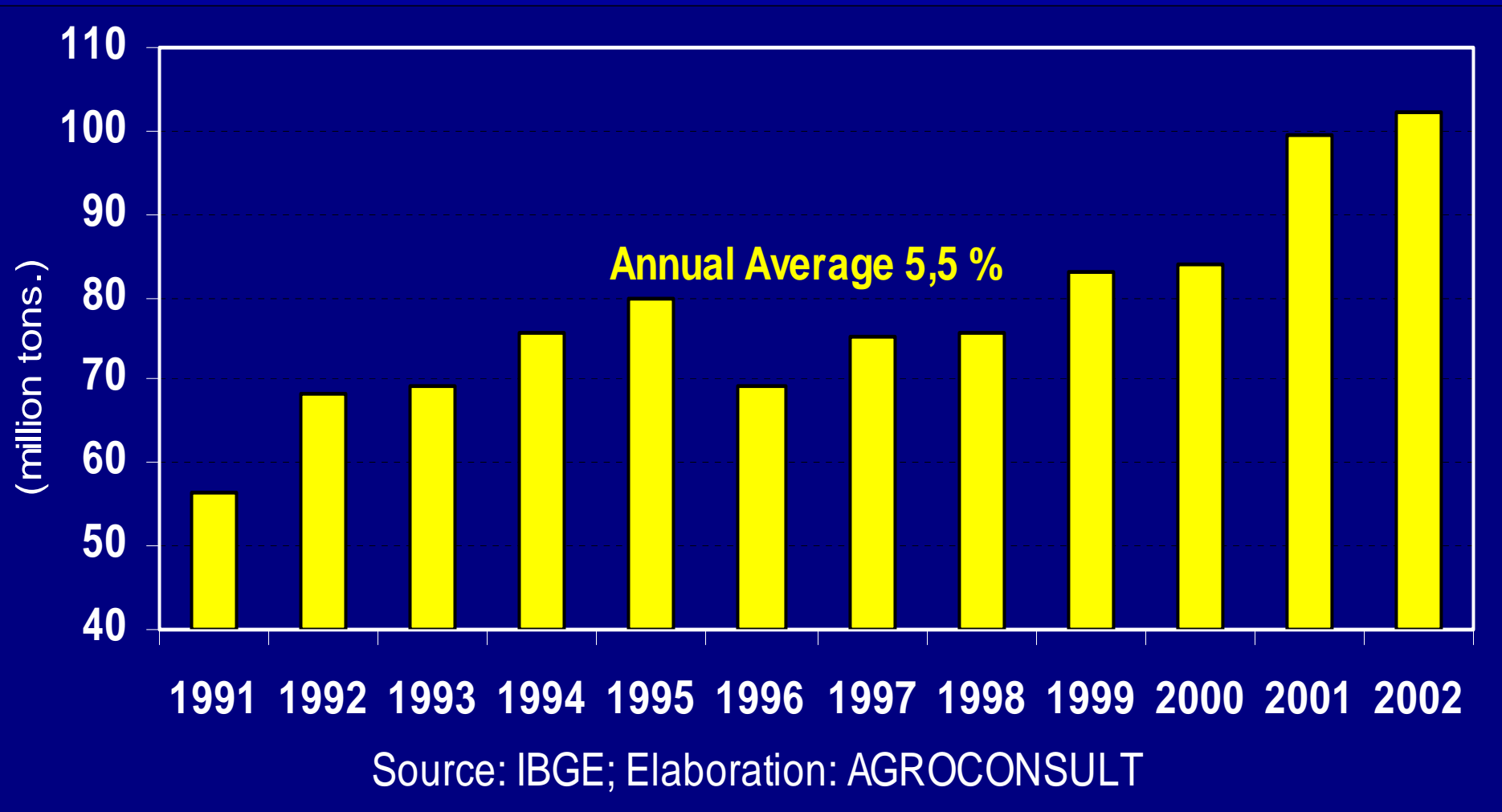




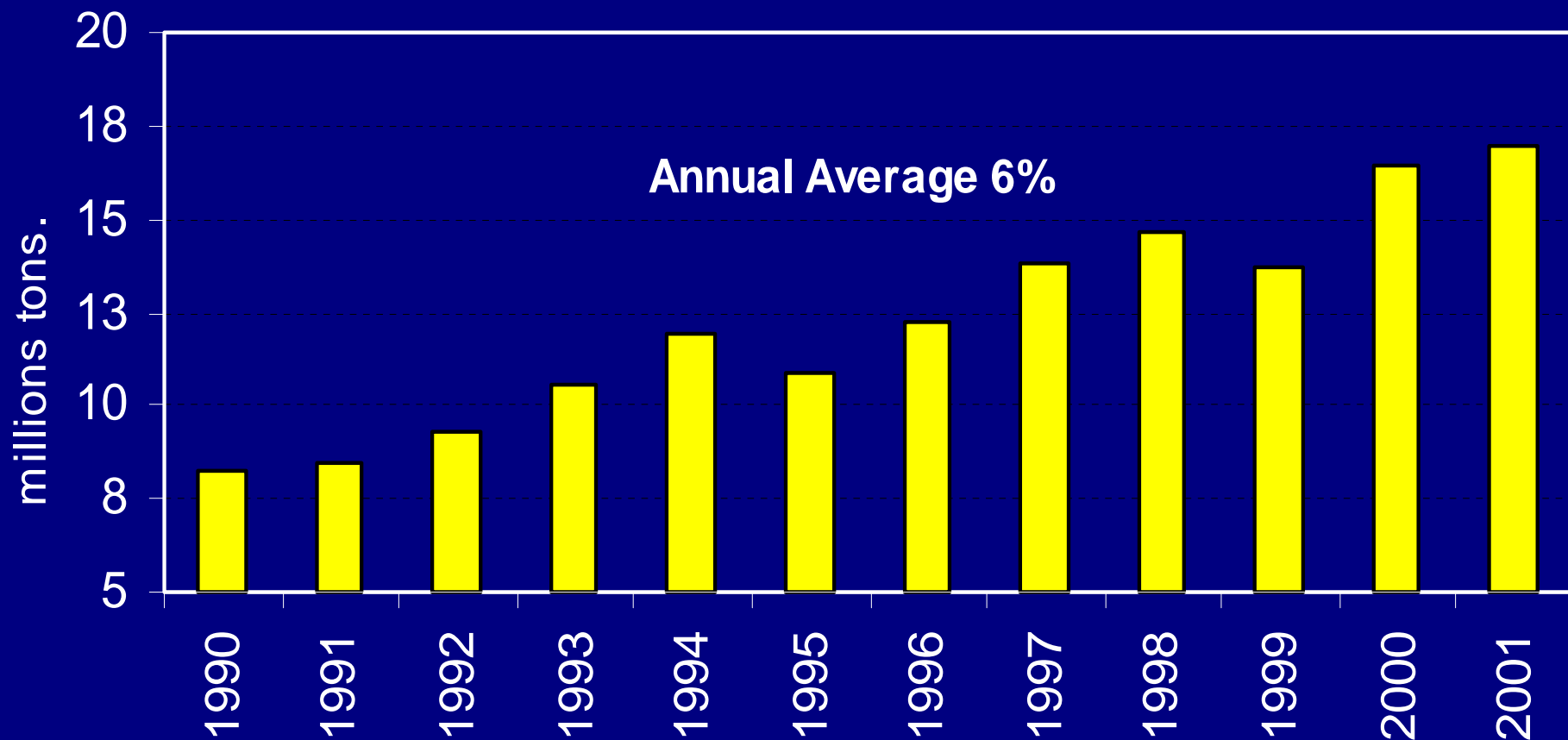
Recent Evolution of Brazilian Agriculture

- Internationalization of capital in agribusiness industries
 - Technology transfer and development
 - Credit availability
- Managerial Revolution
 - Continuous incorporation of technology
 - Improvement in tax controls
 - Accurate measurement of machinery and labor force
 - Professional technical management
 - Increase in double crop practice

Evolution of Brazilian Grain Production

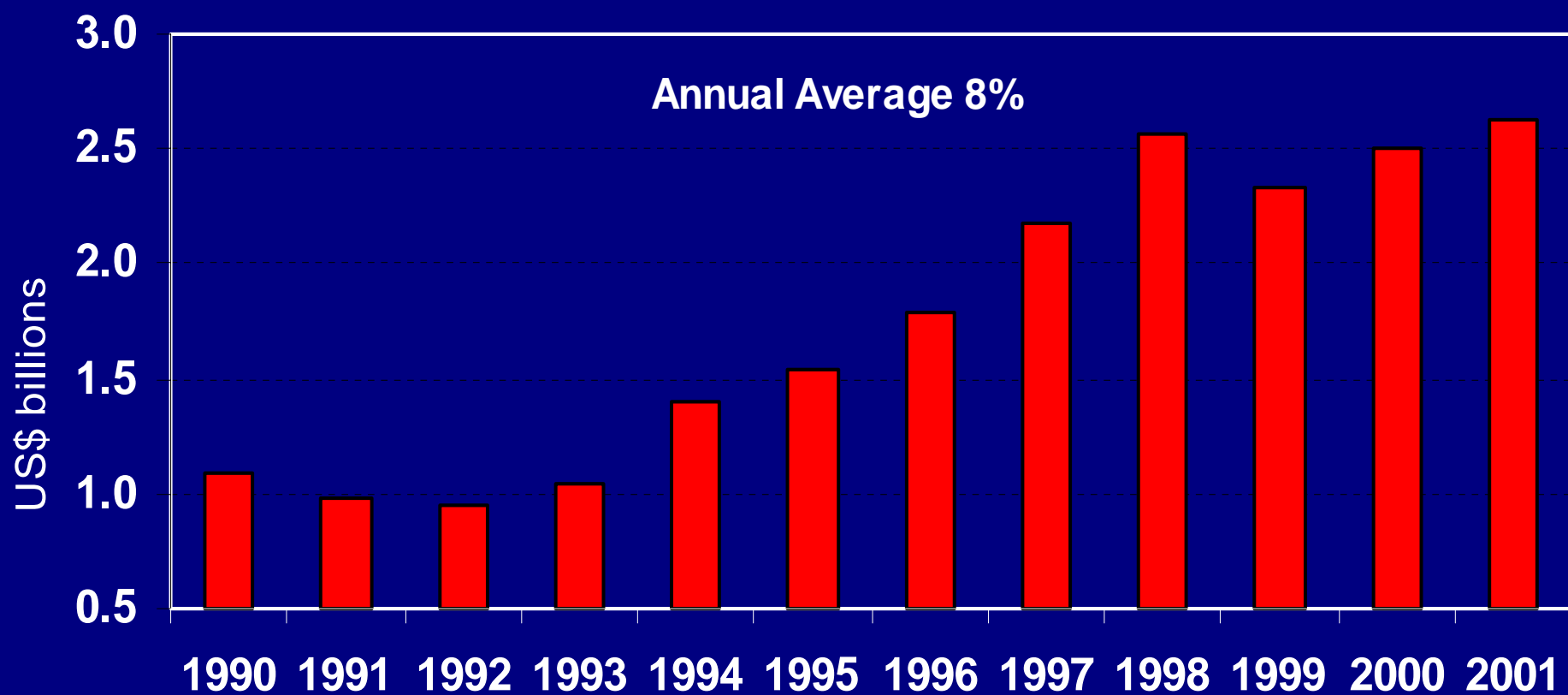


Fertilizer Consumption



Source: ANDA; Elaboration: AGROCONSULT.

Total Sales of Agrochemicals



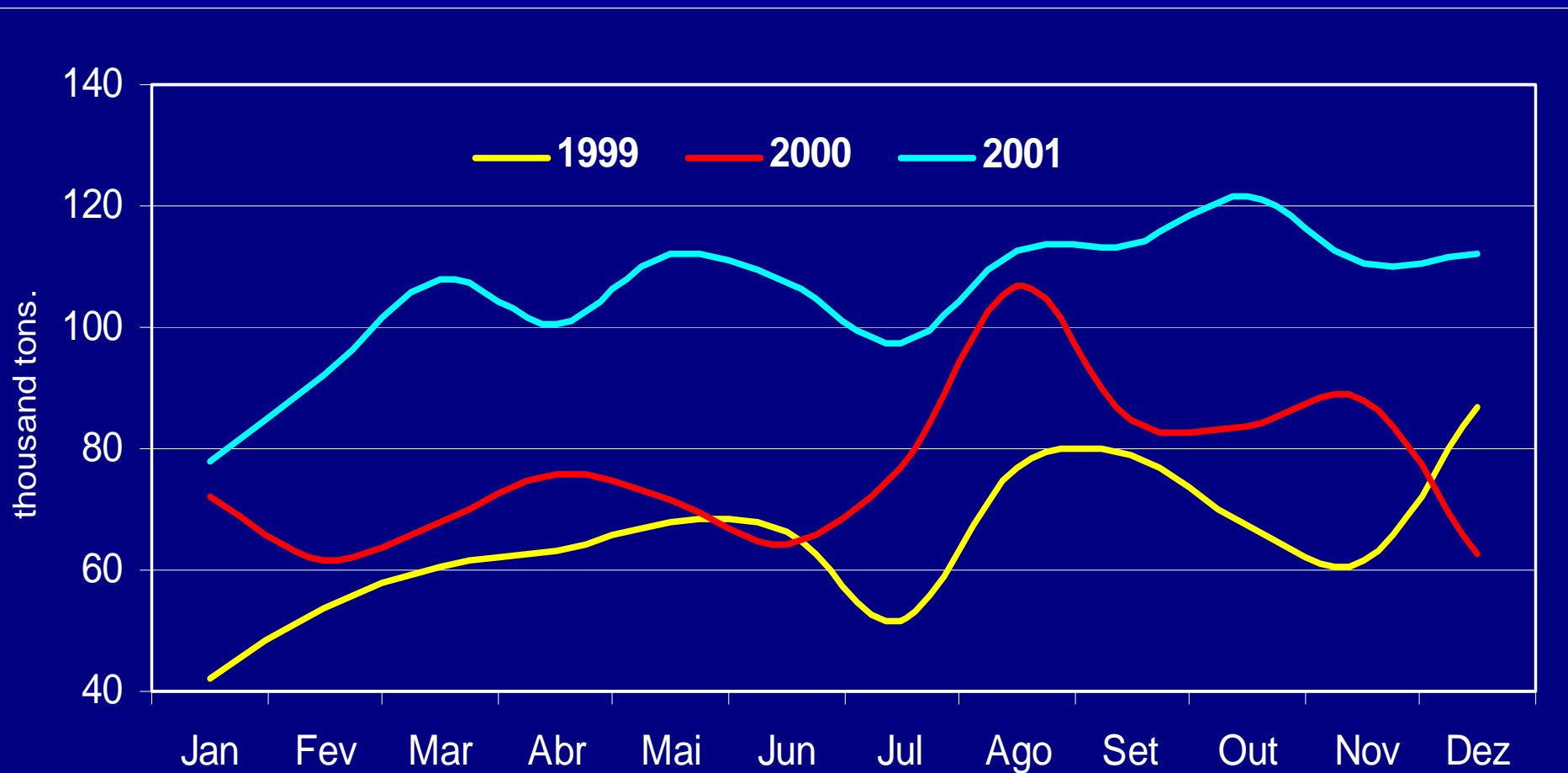
Source: Sindag; Elaboration: AGROCONSULT.



Recent Evolution of Brazilian Agriculture

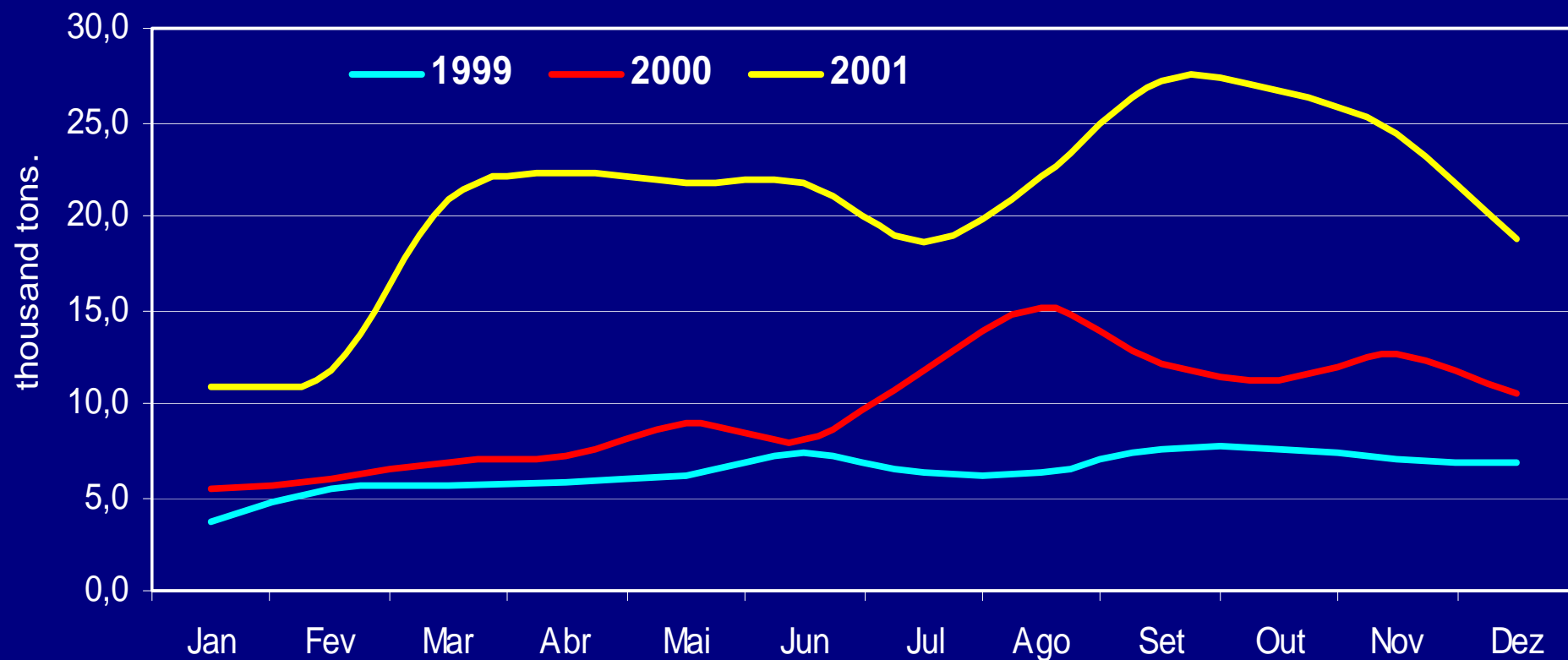
- Modernization of Marketing Capabilities
 - Change in the Government's Interventionist Approach
 - Broader Use of Futures and Derivatives Markets
 - New Instruments and Operations
- Tax exemption for exports
- Strong meat production and exports

Brazilian Poultry Exports



Source: Secex; Elaboration: AGROCONSULT.

Brazilian Pork Exports



Source: Cecex; Elaboration: AGROCONSULT.



Brazilian Agriculture in Perspective

- Sustainable growth of the Brazilian economy
- Investments in transportation infrastructure
- Consolidation of Brazil's position as one of top meat (poultry, pork and beef) exporters
- Consolidation of Brazil as a net corn exporter
- Authorization of commercial production of GMO's



Corn Production Costs

Corn	USA	Brazil (1)	
	Heartland	Paraná	Mato Grosso
Variable Cost:	2000/01	2001/02	2001/02
Seed	30.64	12.55	10.87
Fertilizers	42.06	30.72	42.72
Chemicals	30.51	21.28	21.49
Machine operation / repair	53.35	19.99	20.49
Interest on capital	4.51	3.26	3.58
Hired labor	2.35	3.26	5.22
Miscellaneous		1.65	1.91
Total Variable Costs	78.59	92.71	106.26
Fixed Costs:			
Depreciation of machinery / equipment	68.32	16.34	14.35
Land Costs (rental rate)	100.73	12.09	2.86
Taxes and insurance	6.97	3.92	4.41
Farm Overhead	11.11	17.65	17.61
Total fixed Costs	156.32	50.00	39.22
Total Production Costs	234.91	142.70	145.49
Yield (bushel/acre)	148.00	95.59	95.59
Variable cost per bushel	0.53	0.97	1.11
Fixed cost per bushel	0.53	0.52	0.41
Total cost per bushel	1.59	1.49	1.52

Source: USDA.

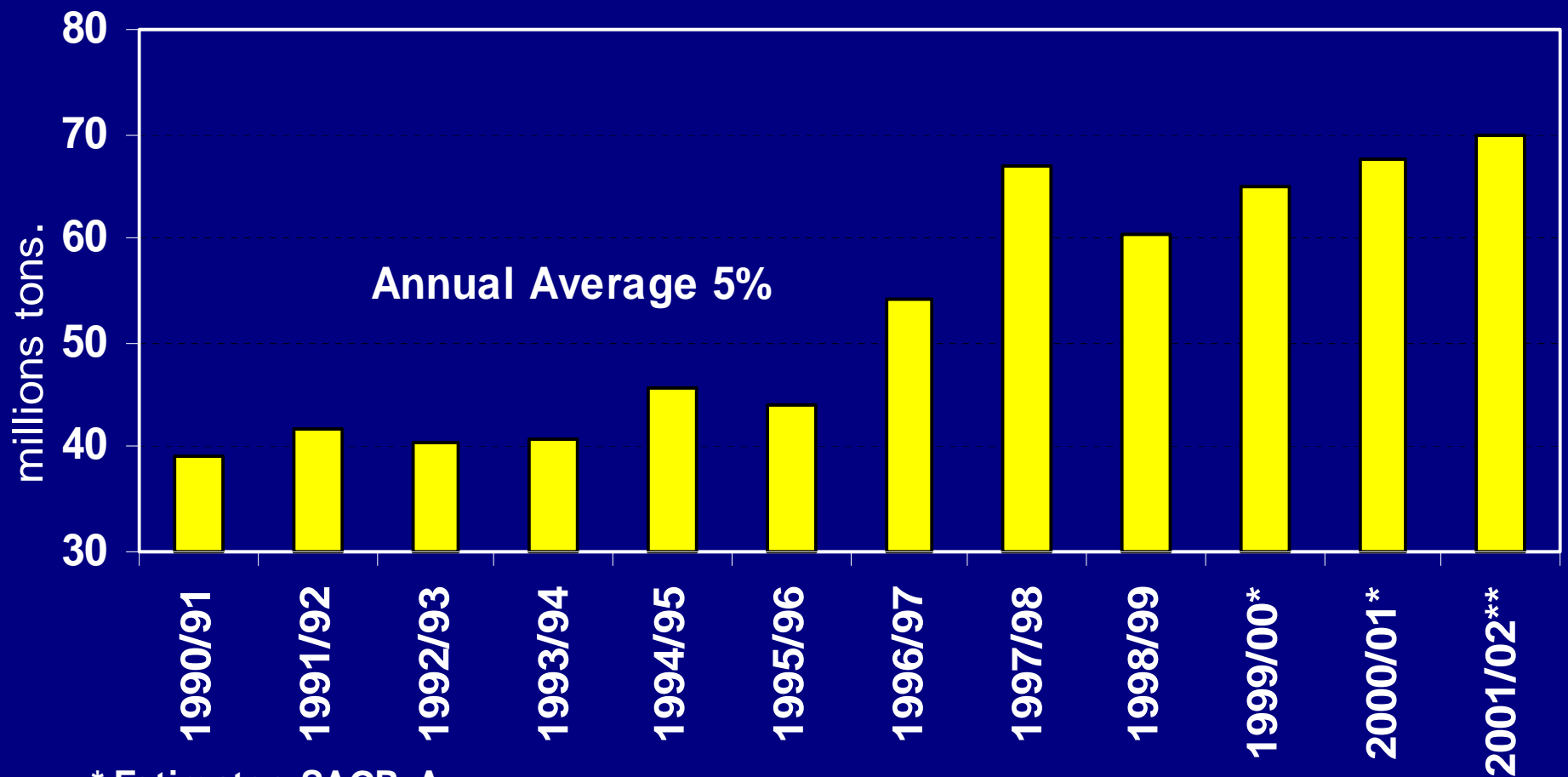
(1) Data for Brazil come from CONAB, datas for May/2001 when the exchange rate was R\$ 2,36/US\$.



Brazilian Agriculture in Perspective

- Adoption of a new tax system
- Consolidation of a new standard of rural financing
- Implementation of a new system of agricultural insurance
- Introduction of a broad program to add value to agricultural production and exports
- Redefinition of the Government's role
- Brazil will become more and more demanding in the international arena of the reduction of agricultural protectionism in developed countries.

Evolution of Argentinean Production



* Estimates SAGPyA

** Estimates AGROCONSULT

Source: SAGPyA



Recent Evolution of Argentina's Agriculture

- Removal of export taxes
- Reduction of tariffs and removal of import quotas for agricultural inputs
- Break-up of the Government monopoly in export of commodities
- Privatization of warehousing and transportation systems
- Enlargement and modernization of the industrial sector
- Use of GMO's
- Stabilization of the economy



Argentina's Agriculture in Perspective

- The Peso devaluation
- Conversion of debt into Pesos (“*pesificación*”)
- Re-introduction of taxes on agricultural exports



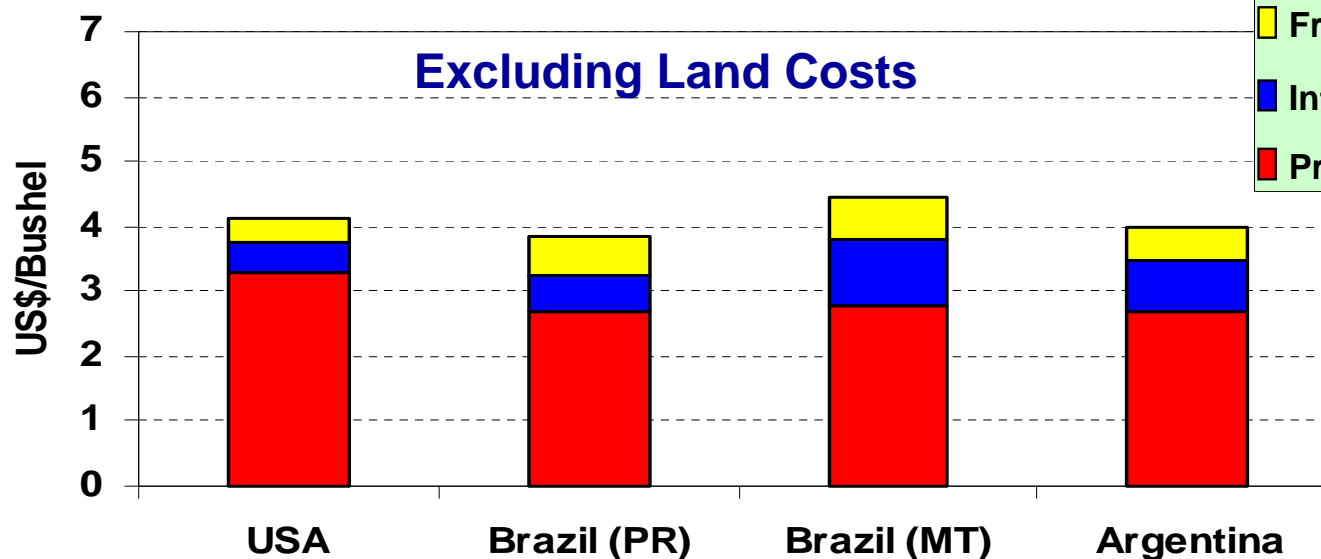
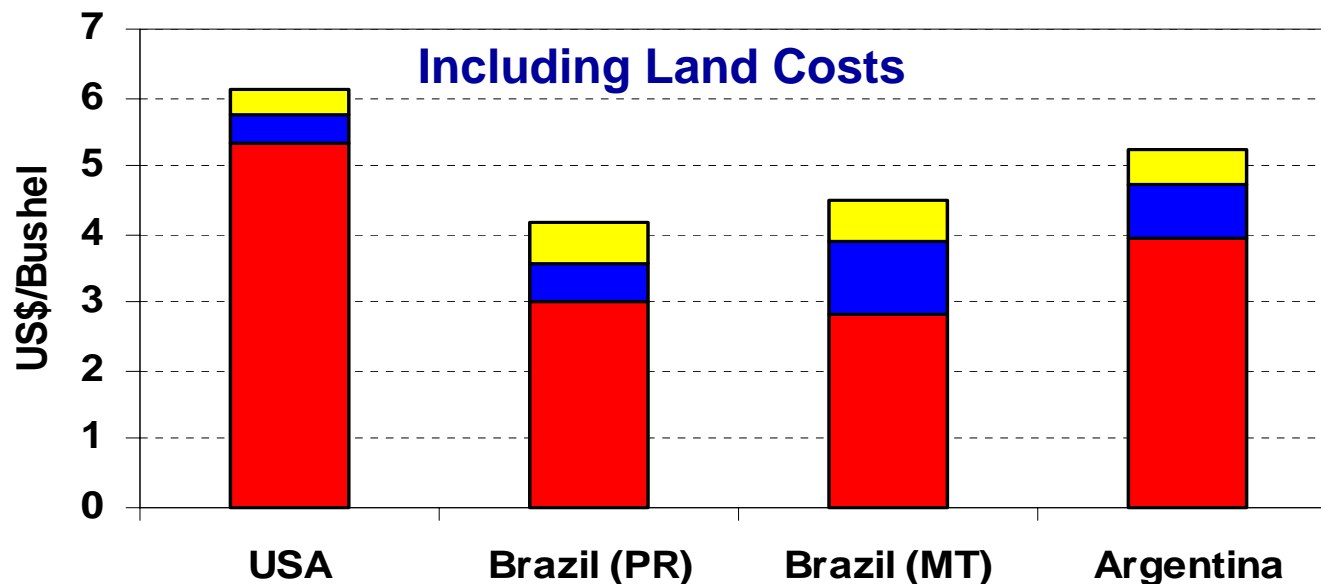
Soybean Production Costs

	USA	Brazil (1)		Argentina
	Heartland	Paraná	Mato Grosso	N. BA / S. SF
Variable Cost:	2000/01	2001/02	2001/02	1998/99
Seed	18.30	5.66	4.53	
Fertilizers	8.31	15.96	33.24	
Chemicals	22.58	24.51	27.13	
Machine operation / repair	23.11	18.77	15.40	
Interest on capital	2.08	3.96	5.09	
Hired labor	1.35	6.21	3.77	
Miscellaneous		1.33	1.62	
Total Variable Costs	75.73	76.40	90.78	96.29
Fixed Costs:				
Depreciation of machinery / equipment	50.96	14.08	16.55	19.08
Land Costs (rental rate)	90.65	12.09	2.86	62.72
Taxes and insurance	7.04	3.15	3.53	
Farm Overhead	14.94	14.58	12.32	20.67
Total fixed Costs	163.59	43.90	35.26	102.47
Total Production Costs	239.32	120.30	126.04	198.76
Yield (bushel/acre)	45.00	40.15	44.61	50.60
Variable cost per bushel	1.68	1.90	2.03	1.90
Fixed cost per bushel	3.64	1.09	0.79	1.90
Total cost per bushel	5.32	3.00	2.83	3.93

Source: USDA. Elaboration: AGROCONSULT

(1) Data for Brazil come from CONAB, datas for May/2001, when the Exchange Rate was R\$ 2,36/US\$.

Export Costs Comparison



- Freight Costs to Rotterdam
- Internal Transport & Marketing
- Production Costs (Farm gate Level)